GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:766
ANSWERED ON:24.02.2006
TARGET FOR CREDIT TO AGRICULTURE SECTOR
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Will the Minister of FINANCE be pleased to state:

(a) whether despite Reserve Bank of India stipulations, flow of credit to agriculture and other rural enterprises from commercial banks both in public and private sector has been unable to achieve the annual targets perennially;

(b) if so, the reasons therefor;

(c) the steps contemplated, if any, by the Government to ensure compliance of the target by the Banks: and

(d) the steps taken, if any for implementation of the recommendations contained in the report of the Joint Committee on revitalisation Support to Co-operative Credit Structure headed by Shri Balasaheb Vikhe Patil, the Union Minister of State for Finance ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAW AN KUMAR BANSAL)

(a)&(b) : As per guidelines of Reserve Bank of India(RBI), there are no separate targets/ sub-targets for rural areas. The banks are required to lend 18% of Net Bank Credit(NBC) to agriculture sector. The amount of Agriculture Advances and their share in net bank credit of public sector banks and private sector banks for the last two years is as under: -

(Amount in Rs.crore)

Bank Group	March 2004	March 2005
Public Sector Banks	86187 (15.41%)	1,12,475 (15.7%)
Private Sector Banks	17,651 (15.81%)	21,473 (12.1%)

(Figures in brackets show the amount as % of NBC)

There are various reasons for non-achievement of stipulated target of 18% to agriculture. These, inter-alia, include low absorption capacity, low adoption of modern technology in agriculture, lack of infrastructure and marketing support, etc.

(c) : The banks which are not able to meet the said target of 18% of NBC to agriculture, are required to contribute to Rural Infrastructural Development Fund (RIDF) proportionately. Further, Government announced a policy on June 18, 2004 for doubling the flow of credit to agriculture in three years. The loans upto Rs.50000/- to the agriculture sector were also made collateral free, banks were advised to recruit specialized officers including agriculture graduates and scheme of financing of agri-clinics was initiated. The disbursement by commercial banks (public, and private sector) to agriculture has registered substantial increase in the last two years as shown below:

(Rs.crore)

	2003-04	2004-05	2005-06 (Till Dec.2005)
Disbursement	52441	81481	79,022
% Growth over previous year	31.8%	55.38%	41.40%

This percentage growth is on the comparable figure of December 2004.

(d) : In order to examine the recommendations of Joint Committee on revitalisation support to cooperative credit structure (Jagdish Capoor Committee), a joint committee of the Cooperative Ministers of eight select states under the chairmanship of the then Union Minister of State for Finance, Shri Balasaheb Vikhe Patil. was set up which suggested a scheme for revitalisation of cooperative

credit structure. Subsequently, a Task Force under the chairmanship of Prof. A Vaidyanathan was constituted in August 2004. Based on its recommendations and consultation with State Governments, a revival package for short term cooperative credit structure has been approved.